

Table 3

Monthly Contributions to State Employee Health Insurance Plans: 1984 And 1985 Retiree Only Coverage

State	Cost to retiree		Cost to state		Total cost		Percent of total cost paid by state	
	1984	1985	1984	1985	1984	1985	1984	1985
Alabama	32.00	50.90	0	0	32.00	50.90	0	0
Alaska	0	0	156.07	191.85	156.07	191.85	100.0%	100.0%
Arizona	57.94	67.68	0	0	57.94	67.68	0	0
Arkansas	34.00	37.50	0	0	34.00	37.50	0	0
California	0	0	66.00	67.51	66.00	67.51	100.0	100.0
	0	6.68	66.41	86.00	66.41	92.68	100.0	92.8
Colorado	0	0	53.12	48.12	53.12	48.12	100.0	100.0
Connecticut	44.59	45.55	13.38	37.36	57.97	82.91	23.1	45.1
Delaware	2.84	0	27.68	33.36	30.52	33.36	90.7	100.0
	18.94	21.70	27.68	33.36	46.62	55.06	59.4	60.6
Florida	55.08	80.38	0	0	55.08	80.38	0	0
Georgia	13.10	13.60	56.20	62.95	69.30	76.55	81.1	82.2
		26.65		62.95		89.60		70.3
Hawaii	0	0	46.56	51.08	46.56	51.08	100.0	100.0
Idaho	24.88	24.88	10.66	10.66	35.54	35.54	30.0	30.0
Illinois	0	0	75.56	77.56	75.56	77.56	100.0	100.0
Indiana	—	—	—	—	—	—	—	—
Iowa	60.98	66.92	0	0	60.98	66.92	0	0
Kansas	50.34	39.86	0	0	50.34	39.86	0	0
Kentucky	45.25	45.25	0	0	45.25	45.25	0	0
Louisiana	20.62	20.62	20.62	20.62	41.24	41.24	50.0	50.0
Maine	0	0	31.36	31.36	31.36	31.36	100.0	100.0
Maryland	8.28	9.02	47.00	51.16	55.28	60.18	85.0	85.0
	8.34	21.50	47.34	51.16	55.68	72.66	85.0	70.4
Massachusetts	4.03	5.08	36.30	45.69	40.33	50.77	90.0	90.0
Michigan	0	0	70.49	75.57	70.49	75.57	100.0	100.0
Minnesota	48.85	51.28	0	0	48.85	51.28	0	0
Mississippi	25.00	34.50	0	0	25.00	34.50	0	0
Missouri	35.50	35.50	3.00	3.00	38.50	38.50	7.8	7.8
Montana	41.00	49.00	0	0	41.00	49.00	0	0
Nebraska	—	—	—	—	—	—	—	—

Georgia, Kansas, Louisiana and Texas.

Second opinion programs can incorporate incentive features like 100 percent reimbursement or bonus payments, or the plan can pay less if the individual fails to get a second opinion. The West Virginia plan, for example, pays 100 percent for the second opinion and for the surgery, but only 50 percent if an employee fails to get a second opinion.

Outpatient Services—Many states have amended their plans to provide incentives for outpatient or ambulatory surgery and for diagnostic and preadmission tests performed on an outpatient basis. In 1984 Alaska, Arizona, Mississippi, Missouri, New Mexico and West Virginia all provided 100 percent reimbursement for outpatient services. States considering such incentives include Louisiana, North Da-

kota and Texas.

Precertification Programs—A few states have recently implemented precertification programs, and several additional states are evaluating the implications of various precertification and preadmission review programs.

In 1984 California added non-mandatory precertification provisions; later this year California expects to introduce mandatory utilization review programs encompassing both precertification and concurrent review. Pennsylvania's mandatory precertification plan became effective on January 1, 1985, and Wyoming's nonmandatory preadmission review program was also instituted at the beginning of this year.

It is difficult to quantify the precise cost effects of various types of precertification and preadmission review programs. Although these

programs may have only a minor effect on the number of hospital admissions, they do have the important advantages (especially when combined with concurrent review programs) of facilitating PSRO review and possibly shortening average hospital stays for specified procedures.

Weekend Admissions—The Oklahoma plan was changed, effective January 1, 1985, to provide 50 percent reimbursement for non-emergency hospital confinement on a Friday or Saturday, where no medical services are required until the following Monday. Texas reports that the new plan to be implemented September 1, 1985, will also include limitations on reimbursements for weekend admissions. During the next few years, provisions restricting benefits for weekend admissions may become more widespread among state employee

Table 3

Retiree Only Coverage (Cont'd)

State	Cost to employee		Cost to state		Total cost		Percent of total cost paid by state	
	1984	1985	1984	1985	1984	1985	1984	1985
Nevada	53.59	61.68	24.84	29.81	78.23	91.49	31.8%	32.6%
New Hampshire	0	0	37.21	61.03	37.21	61.03	100.0	100.0
New Jersey	55.38	58.93	0	0	55.38	58.93	0	0
New Mexico	42.04	46.50	0	0	42.04	46.50	0	0
New York*	0	0	44.84	74.44	44.84	74.44	100.0	100.0
	7.76	9.28	69.88	83.57	77.64	92.85	90.0	90.0
North Carolina	0	0	36.32	36.32	36.32	36.32	100.0	100.0
North Dakota	44.00	44.00	0	0	44.00	44.00	0	0
Ohio	0	0	51.10	49.90	51.10	49.90	100.0	100.0
Oklahoma	45.90	45.90	0	0	45.90	45.90	0	0
Oregon	31.06	34.98	0	0	31.06	34.98	0	0
—BUBB Plan	34.31	43.78	0	0	34.31	43.78	0	0
Pennsylvania	0	0	37.21	43.75	37.21	43.75	100.0	100.0
	0	0	47.91	56.45	47.91	56.45	100.0	100.0
Rhode Island	30.63	34.60	0	0	30.63	34.60	0	0
South Carolina	0	0	50.50	50.50	50.50	50.50	100.0	100.0
South Dakota	47.84	49.22	0	0	47.84	49.22	0	0
Tennessee	35.01	40.26	0	0	35.01	40.26	0	0
Texas	0	0	62.93	66.29	62.93	66.29	100.0	100.0
	6.81	0	72.00	85.02	78.81	85.02	91.4	100.0
Utah	43.00	49.50	0	0	43.00	49.50	0	0
Vermont	5.49	3.54	16.49	14.17	21.98	17.71	75.0	80.0
Virginia	36.90	30.96	0	0	36.90	30.96	0	0
Washington	59.35	64.52	0	0	59.35	64.52	0	0
West Virginia*	23.95	23.95	0	0	23.95	23.95	0	0
Wisconsin*	48.79	51.43	0	0	48.79	51.43	0	0
Wyoming	39.22	44.12	0	0	39.22	44.12	0	0
Virgin Islands	14.88	21.19	14.88	21.18	29.76	42.37	50.0	50.0

*Sick leave credits may be used by retirees to pay premiums.

Where two sets of figures are listed for a state, they represent the "low" and "high" basic plans.

health benefit plans.

Home Health Care and Hospice Benefits—Most state plans provide benefits for specialized home health services and services rendered by extended care facilities, but many of these reimburse employees for home care benefits at the same coinsurance percentage. In 1984 Arizona and New Mexico increased the reimbursement percentage for home care benefits to 100 percent. In addition, hospice care benefits were added by New Mexico and Washington in 1984, and treated as a covered expense by the Oklahoma plan effective January 1, 1985.

Alcohol and Substance Abuse Benefits—Louisiana, Maine, Michigan and Oklahoma are four states that recently modified their plan provisions regarding alcohol and substance abuse benefits. In 1984 Michigan developed a new policy to provide more cost effective cover-

age of expenses for substance abuse treatment. The Michigan plan now provides a basic benefit for substance abuse treatment (including 100 percent coverage for detoxification as part of an effective treatment program), and also covers outpatient substance abuse and mental health expenses at 90 percent, up to \$3,500 a year.

Wellness Benefits—Several states have considered adding benefits to promote good health, but very few currently provide incentives for healthier lifestyles or specific "risk reduction benefits." New York and Utah are two states that have instituted programs to promote good health. New York's program for about 15,000 management employees, which was first introduced on a pilot basis in September 1983, includes computerized health risk appraisals, a series of health education seminars, stop-smoking clinics

and a self-care education book. Under Utah's plan, a smoker who quits for at least six months is paid \$100 and awarded a certificate, and an overweight person who loses weight and maintains the reduction for six months is paid \$2 per pound.

Birthing Centers—In 1984 the Iowa and West Virginia plans began providing benefits for services rendered by birthing centers, and Kentucky added such benefits effective January 1, 1985.

Generic Drugs—The Alaska plan was amended in 1984 to provide 100 percent reimbursement for generic drugs. A few other states report that they are considering adding such a benefit later this year or early in 1986.

Cost-Effective plan designs

A few states have gone further and implemented new cost-effective plan designs that incorporate sev-

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*1984 Reader Readership Study. Audience figure based on 2.3 readers per copy.

eral cost management provisions. The term "cost-effective plan design" is used here to refer to a health benefits plan that is redesigned with the dual objectives of providing cost-effective care and making employees cost-conscious consumers of health care.

Four states—Alaska, Arizona, Mississippi and New Mexico—introduced new cost-effective plan designs as of July 1, 1984. The major features of the new plans, which were generally accompanied by expanded communication programs, are summarized below:

Alaska—Amended plan pays: (1) 100 percent for generic drugs after applying the deductible—brand-name prescription drugs continue to be paid at the applicable coinsurance percentage; (2) 100 percent of UCR charges for second surgical opinions and diagnostic tests performed on an outpatient basis, without applying either the deductible or coinsurance percentage; and (3) 100 percent of UCR charges for ambulatory surgery performed in a qualified outpatient facility.

Arizona—New plan provides: (1) 100 percent reimbursement for specified surgical procedures performed on an outpatient basis; (2) 100 percent reimbursement for preadmission testing performed on an outpatient basis; (3) 100 percent reimbursement for second opinion charges; (4) 100 percent reimbursement, subject to the deductible, for specialized home health services and extended care benefits; and (5) a separate \$50 deductible for hospital inpatient charges. Under the new Arizona plan, which was designed to "make employees choosy consumers of health care," employees are required to comply with the mandatory preadmission, concurrent and surgical review provisions, as well as the mandatory second opinion provisions that apply to specified surgical procedures.

Mississippi—New "cost awareness plan" provides: (1) 100 percent instead of 80 percent reimbursement for charges of an outpatient facility and doctors' surgical charges when the surgery is performed in an outpatient setting; (2) 100 percent reimbursement for second surgical opinions; (3) limitations on hospital benefits for week-end admissions; (4) 100 percent reimbursement for preadmission testing; (5) 100 percent reimburse-

ment for maternity stays of three days or less; and (6) using statewide experience to determine UCR charges for both medical and surgical services. Benefit changes being considered by Mississippi for 1985 include: (1) paying 100 percent for generic drugs; (2) increasing lifetime maximum benefit from \$250,000 to \$1,000,000; and (3) encouraging employees to audit their own hospital bills by paying employees 50 percent of the amount of errors detected up to a maximum of \$1,000.

New Mexico—New plan includes employee contribution percentages and deductibles that vary depending on the employee's annual rate of earnings. The coinsurance percentage stayed at 80 and maximum out-of-pocket costs remained at \$1,200. The new plan provides reimbursement for: (1) 100 percent of charges for preadmission tests; (2) 100 percent of charges for specified surgical procedures when performed on an outpatient basis; (3) 100 percent of charges for second and third surgical opinions (no deductible); and (4) 80 percent of other covered charges up to \$6,000 and 100 percent above \$6,000. Cost management provisions incorporated in the new plan include preadmission review and benefits for outpatient surgery, rehabilitation, extended care facilities, home health agencies and hospice care.

In conclusion, many states—including those that recently introduced new cost-effective plan designs—have made a broad commitment to health care cost management. While most state plans have added traditional types of cost management provisions, some have instituted innovative nonconventional techniques.

Cost management will undoubtedly remain an important consideration for state employee health benefit plans. Because a state is often the largest employer within its own borders, it is clear that the cost management steps taken by state plans can influence providers and help to make our health care system more cost effective. □

Dr. John P. Mackin is senior vice president and head of the governmental division of Martin E. Segal Company, New York.